

Service Date: March 10, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Valuation)	UTILITY DIVISION
of the South Section of a 16")	DOCKET NO. 87.1.5
Natural Gas Pipeline.)	ORDER NO. 5260

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ORDER ACCEPTING STIPULATED SETTLEMENT

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FINDINGS OF FACT

1. In 1983, the Montana Power Company (The Company) began construction of a 16" natural gas transmission pipeline from Morel Junction to Cut Bank, Montana. It was planned to replace an existing 52-year old transmission pipeline. At the time of construction, the plan was to complete the entire line in 1983; that plan, however, was not carried out.

2. During 1983, there were several occurrences which delayed completion of the pipeline, including inquiries of this Commission into the safety of the pipeline (Docket Nos. 83.11.82 and 84.1.3). Nevertheless, the south portion of the pipeline from Morel Junction to Mainline Station No. 3 was finally completed, including all Commission-required repair work, in the summer of 1986 and it began transporting natural gas to customers on September 10, 1986.

3. The total actual cost of this south portion of the pipeline was \$19, 917, 648, which includes all of the repair costs and costs relating to vandalism against the pipeline.

4. By letter dated August 14, 1986, the Company proposed (among other things) to the Montana Consumer Counsel that the two parties reach agreement on the value of the new pipeline, which agreement would be presented to this Commission for approval. The Company proposed that the original cost of the pipeline was \$17,349,718, which amount did not include repair or vandalism costs. The proposal contained work papers and other information for the Consumer Counsel's review and consideration. A copy of the proposal and attachments was provided to the Commission.

5. On October 1 and 2, 1986, the Consumer Counsel and members of the Commission Staff met with Company representatives in Butte, essentially performing what is referred to in rate cases as a "discovery audit." Questions were asked of the Company concerning its proposal and data requests made.

6. The Consumer Counsel and the Company continued to meet and negotiate after the "discovery audit," and the Company responded to the information and data requests of the Consumer Counsel and Commission Staff. This negotiation process eventually resulted in an agreement between the Company and Consumer Counsel concerning the original cost value to be assigned to the south portion of the 16" pipeline. The value agreed to is \$14,560,261, and the Settlement Agreement to that effect is attached. The parties also agreed that the south portion of the 16" pipeline is presently actually used and useful for the convenience of the public in providing utility service.

7. The Commission has reviewed the data and information provided by the Company concerning the valuation of the completed portion of the pipeline.

8. The Commission finds that the Settlement provides an acceptable original cost value of actually used and useful utility property which is equitable both to the Company and its consumers.

9. The approval of this Settlement will not result in any change in gas rates at this time as there is not now before the Commission any request by the Company to increase rates because of the additional rate base represented by the pipeline. However, the Commission is continuing to review the Company's updated natural gas utility cost-of-service in light of the new rate base and in light of the Tax Reform Act of 1986 (in accordance with the Commission's Show Cause Order, Docket No. 86.11.62).

CONCLUSIONS OF LAW

1. The Applicant furnishes gas service to consumers in Montana and is a "public utility" subject to the regulatory jurisdiction of the Montana Public Service Commission. §69-3-101, MCA.

2. The Settlement approval herein is an appropriate means of affixing an original cost value to the south portion of the 16" pipeline and of determining that it is now actually used and useful in rendering service to Montana customers. SS2-4-603(1) and 69-3-109, MCA.

3. The Commission has afforded adequate notice to all interested parties.

ORDER

The agreement between the Company and the Consumer Counsel

for settlement of the original cost valuation of the south portion of the 16" pipeline is hereby approved and the pipeline's original cost is hereby fixed at \$14,560,261 in accordance with the Settlement Agreement.

DONE IN OPEN SESSION at Helena, Montana this 9th day of March, 1987 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Ann Purcell
Acting Secretary
(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.